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AUTHOR	Scott, H. Donald
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ABSTRACT

The process of establishing and maintaining relations with a contract feeder is reviewed. Initial contact, reasons for the contact, contract negotiation, key people involved, and the ultimate tools of measurement are mentioned. Possible goals and objectives to be specified to a negotiating contractor are suggested. Items to be covered in the contract are outlined, including term and statement on conditions of termination, facilities for offices and equipment to be provided by the university, insurance and payment schedule details, financial statements to be provided by the contractor, terms of cash income return, Equal Employment or Affirmative Action clause, and lead time clause regarding management replacement. Evaluation of the success of the program can be determined by student satisfaction and budget adherence. (LBH)

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"It is very important to remember that both parties should win in contract negotiations."

NEGOTIATION, ADMINISTRATION, AND MEASUREMENT OF FOOD SERVICE CONTRACTS IN HIGHER EDUCATION

By H. Donald Scott

THERE are three choices available to college and university administrators regarding what to do about food service:

1. Nothing.
2. Self-operate all feeding units.
3. Contract feeding to an outside firm.

A fourth, sometimes used in larger schools, would be a combination of the second and third choices.

There are many persuasive arguments as to what approach any given school might take. For those schools presently involved with a caterer or for those who might be considering it, the purpose of this article is to discuss how to deal with the caterer if you choose that route.

When a school decides to go the way of a contract feeder, it is usually because of one, or more, of the following reasons:

1. Overpowering financial problems.
2. Pressure (usually, long term) from students and faculty to upgrade program quality.
3. Resignation or retirement of a director, which forces the school to re-examine its view of the feeding problem.

It is essential to note that administrators—all of us—must remember that a decision to employ outside management, no matter what type of arrangement is consummated, cannot permit us to abrogate our responsibilities to students and the university community to ensure a quality of food service of acceptable standards.

HE 006 738

Specify Goals and Objectives

Once the decision to go to a caterer is made, the obvious next step is to invite representatives of at least two—and preferably three—companies to an initial meeting (separately, of course). Now when I say this is the next step, I am making some assumptions: First, that you are prepared to speak intelligently about the goals and objectives of your school as far as the feeding program is concerned and, second, that sufficient preliminary investigation is made of these firms to assure that they meet your college's standards of performance.

Setting goals and objectives, if they do not exist, is an exercise that must involve input from all aspects of the school's administration—business office, student affairs area, faculty, and possibly even trustees. This involvement is essential to develop the true philosophy of the school regarding feeding of students. Some possible objectives might be:

1. To operate a fiscally prudent (breakeven) food service which includes full costing of all relevant charges.
2. To provide a balanced diet for all students.
3. To provide at least two choices of all items on the menu.
4. To offer a maximum amount of dining options for resident students.
5. Etc.

A list of objectives can be either general or specific but must be written in a manner that will offer any prospective caterer a clear insight into the view of the university insofar as its feeding program is concerned.

Personal Visits Best

The best means of investigating the prospective caterer is by unannounced personal visits (if possible) to schools using these firms or by contacting your associates in schools involved with caterers. Frank, open questions seeking opinions of students and administrators about food quality,

H. Donald Scott *originally presented this paper at the Twelfth Biennial Workshop of the Eastern Association of College and University Business Officers in March, 1973. A graduate of the University of Virginia and Cornell University School of Hotel Administration, Mr. Scott has administered food service programs in three large universities and is now associate director of administrative services at the University of Rochester.*

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financial results, etc. must be asked. Do not overlook schools where a particular firm may have been discontinued.

Now that you are prepared to settle down to serious talks with these firms, you must consider what information you will give to them, and what you might wish to withhold. Obviously, there should be no shenanigans in this area—by supplying misleading or false information, you only fool yourself. By providing the contractor with factual and historical information, you assist him in arriving at an intelligent proposal. The more competent food service management companies will study your food operation completely and ask many questions, each of which is intended to assist them in presenting a workable agreement.

Among the things a caterer will ask and which you must reveal are:

1. Number of students on board plan—and future projections.
2. Male-female ratio. (Girls really eat less.)
3. Variations in available board plans.
4. Your school's previous experience with these plans insofar as participation is concerned.
5. Cash prices and board rates—and future projections for these.
6. "Seconds" policies and restrictions.
7. Dining hours.
8. College calendar (feeding days, vacation periods, exam periods, etc.).

And, of course, a complete tour of facilities is imperative. This must be done in order to permit the contractor to see the kitchen and dining facilities in which he may be asked to operate. Such a tour will normally provoke rumors as to who the visitors are. To prevent those rumors, you can either tell it like it is, in advance; or set up a smoke screen—introduce the visitors as visiting dignitaries. This latter approach is obviously dangerous and should only be used when the open approach is considered inappropriate.

Decide on the Contract Type

It is important to consider the advantages and disadvantages of different types of contracts. There are many variations of contracts, but they can generally be classified into these categories:

1. One in which the management company assumes the total risk of profit and loss.
2. One in which the school assumes the risk and guarantees a fee to the management company.
3. One where the caterer assumes the risk but agrees to limit profit.
4. One where the caterer assumes the risk and guarantees a fee to the school—either a dollar amount or percentage of receipts.

The third type of contract, where the caterer has the risk, but limits his profit seems to me to be the best bet for most schools. In such a contract, a daily rate is usually written. The school knows the cost of feeding students and has no risk financially. The only risk is in the company's cutting quality, service, etc. Only a few years ago, this was not a concern, but today, with rising costs (particularly, in food), they do make changes. The key to this kind of contract is the agreement to profit limitation. A figure is agreed upon—say three percent—and an understanding is reached whereby audited statements will be made available to the school.

The management fee type contract is generally used in smaller schools—here the school reimburses for specific items and also pays an agreed upon fixed fee—or percentage.

Other variations include cost plus contracts where there appears to be no advantage to the school—in fact, the more money spent, the more the caterer makes. There are even lease agreement contracts where the school leases a building to the caterer and that is it. This is an alternative when the school wants out completely.

In cash operations, the contractor will take a hard line due to the risk of getting hurt by having to run long hours. Usually, he will pay a percentage of gross income, five to eight percent, and may accelerate the percentage as volume goes up. Important, if he asks for price increases—*listen.*

Specify Contract Responsibilities

Once the contract is agreed upon, decisions must be reached as to what specific items the contractor will be responsible for and, contrarily, what the school will cover. An example of a breakdown of such responsibilities might be as follows:

Contractor:

a. Food
b. Labor
c. Social Security Tax
d. Workmen's Compensation
e. Unemployment Insurance
f. Products and Public Liability Insurance
g. Kitchen Supplies
h. Janitorial Supplies
i. Paper Supplies
j. Office Supplies
k. China and Silver Replacement
l. Telephone—Local and Long Distance
m. Laundry

University:

a. Fire Insurance
b. Purchase of New Equipment

c. Replacement of Worn Equipment
d. Maintenance and Repair
e. Painting and Redecorating
f. Pest Control
g. Utilities
h. Removal of Trash and Garbage

There are other items such as debt services, administrative overhead, etc., which may or may not be listed. The most important part of this exercise is this:

> *Whatever the costs are that are borne by the university, it is your responsibility to know, in detail, how much this package amounts to. Only with that information in hand can the school decide if the contract is financially acceptable.*

Press, but Press Fairly

Returning to the contract, there are numerous items that should go into a contract. Among them are:

1. Term (one year, two years) and statement on conditions of termination (usually 90 days, sometimes 60).
   A multi-year contract is often good—guaranteed volume can control costs.
2. Comment on facilities for offices and equipment to be provided by university.
3. Detailed information on insurance, payment schedules, etc.
4. Comment on financial statements to be submitted by contractor. Audited monthly.
5. Terms of cash income return.
6. Equal Employment or Affirmative Action clause.
7. Lead time clause re: management replacement.

It is very important to remember one thing—both parties should win in contract negotiation. As important as it may be to press for items that are favorable to the university, you must keep in mind that the contractor also has a purpose and that his hands cannot be tied at every turn.

Hopefully, we have covered contract specifics well enough to go on to the next phase: administration of the contract and measurement of the caterer's program. The first, and foremost, factor in this phase is the university's man on the scene designated to act as the liaison man with the caterer. It is important that only one person be involved as this liaison. (Of course, he'll have other duties.) It is important for the university in order to assure continuity from its side, and equally important for the caterer who will have countless questions of policy, discipline, etc., to raise, particularly in the early days of a contract.

This man must eat regularly in the facilities; he must go out of his way to ask student opinions; and he must be constantly in contact with the caterer's local director. He will be the man the caterer's touring supervisor meets with; he will be the man students and student groups can come to; he will be the man who monitors the financial progress of the operation; he will be the man who participates in the selection of a manager for your school (and be sure you do have this privilege—perhaps I should call it a right).

Contractor's Director Holds Key Role

As important as the university's liaison man may be to the balance of the operation, the person who represents the caterer on your campus is even more important for both parties. He must be skilled technically; he must be astute financially; he must be able—and willing—to deal regularly with students; and he must be a strong leader.

The contractor's director of food service and the university's liaison man should meet officially at least weekly. In some of these meetings, it may be appropriate to include other university officials in order to keep the caterer conscious of the feelings of others within the university community.

One of the great dilemmas that a college food service director has, working for a caterer—particularly if he is conscientious—is treading the thin, often indistinguishable, line between loyalty to the firm for which he works and to the school which he is serving. A good man will not always be pro-company—and, of course, must never be always anti-company.

Perhaps the most important of all the functions which the liaison man for the university performs is that of keeping the relationship between the two parties flexible. True, a contract spells out terms which are specific and clear. Yet, somewhere in the relationship between the caterer and the university a feeling of mutual trust or mutual understanding must develop if the operation of food service is to be anything more than a rote, mechanical process of feeding students. The university must be the stimulus in achieving the desired result—and the man on the scene is the only one who can really achieve this.

Measurement of results is probably the easiest of all of the aspects of a relationship with a contract feeder. Two basic questions must be asked over and over by the university:

1. Is the feeding program in effect meeting the goals and objectives of the school?
2. Are the financial results meeting anticipations?

These questions could be reduced to:

1. Are the students satisfied?
2. Are we within the budget?

Clearly, these questions are best answered by the liaison man mentioned earlier. His contacts within the university and his analysis of fiscal results will tell the story.

To summarize, I have attempted to walk through the entire process of establishing and maintaining relations with a contract feeder. Initial contact, reasons for the contact, contract negitiation, key people involved, and the ultimate tools of measurement have all been mentioned. No two schools will approach these areas alike. However, the basic ground-rules do not change. Follow them closely and diligently, and above all be honest with yourself and the contractor.

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